?

annual REPORT 1967

industrial minerals of canada limited   minéraux industriels du canada limitée

Industrial Minerals of Canada Limited

HEAD OFFICE 7 KING STREET EAST, TORONTO 1

DIRECTORS

P. L. Dessaulles—Montreal, Quebec
Counsel—Byers, McDougall, Casgrain, Stewart and Kohl

H. J. Fraser—Toronto, Ontario
President and Managing Director—Falconbridge Nickel Mines Limited

F. D. Hart—New York, New York
Administrative Director—American Gas Association, Inc.

J. J. Mather—Toronto, Ontario
Executive Vice President and Managing Director—Industrial Minerals of Canada Limited

J. T. McWhirter—Toronto, Ontario
Treasurer—Falconbridge Nickel Mines Limited

E. L. Healy*—Toronto, Ontario
Executive Vice President—Operations—Falconbridge Nickel Mines Limited

G. T. N. Woodrooffe—Toronto, Ontario
Vice President—Corporate Affairs—Falconbridge Nickel Mines Limited

*Appointed February 1968 to fill the vacancy arising from the resignation of P. N. Pitcher.

OFFICERS

H. J. Fraser—*President*
J. J. Mather—*Executive Vice President and Managing Director*
D. D. Anderson—*Secretary*
J. D. Krane—*Assistant Secretary*
J. M. Donovan—*Treasurer*

SENIOR MANAGEMENT

D. C. McDonald—*General Manager—Production*
C. M. Woodruff—*General Manager—Marketing*
D. G. Minnes—*General Manager—Corporate Development*
G. E. Armstrong—*General Manager—Aggregates Division*
R. C. Wilson—*Director of Research*

SUBSIDIARY

American Nepheline Corporation—Wholly owned.
Suite No. 6-11 West Cooke Road, Columbus, Ohio 43214

TRANSFER AGENTS

Crown Trust Company—*302 Bay Street, Toronto*

AUDITORS

McColl, Turner and Co.—*Peterborough, Ontario*

SOLICITORS

Strathy, Archibald, Seagram & Cole,
Suite 1700, 110 Yonge St., Toronto.

COVER & ENVELOPE

The cover of this year's Annual Report illustrates another phase in the Processing Operation. Ore has been trucked from the quarry and is being dumped into the primary crusher. MINEX, one of your company's nepheline syenite products, is incorporated as a filler in the manufacture of the plastic envelope for this report.

YEAR IN BRIEF 1967

OPERATING SUMMARY

Net sales	$6,532,634
Depreciation, amortization and depletion	984,355
Earnings before income tax	1,120,950
Income tax	129,384
Net profit	991,566
Cash recovered from operations	1,975,921
Dividends paid	550,113

FINANCIAL POSITION

Current assets	$2,869,759
Current liabilities	1,620,794
Working capital	1,248,965
Current ratio	1.77:1
Equity	9,557,422

PER SHARE

Net profit	$ 1.03
*Dividends paid (on 916,855 shares)	0.60
Equity	9.90
Cash recovered from operations	2.05

**Shares outstanding at time of payment*

MISCELLANEOUS

Issued capital—shares	965,497
Number of shareholders	2,300
Number of employees	260

Shares listed—Toronto Stock Exchange
—Canadian Stock Exchange

The Annual Meeting of the Shareholders of Industrial Minerals of Canada Limited will be held in the Elizabeth Room, King Edward Sheraton Hotel, 37 King Street East, Toronto, on Wednesday, the 10th day of April, 1968 at the hour of 11:00 o'clock in the forenoon.

TEN-YEAR STATISTICAL SUMMARY

	1958	1959	1960
Sales	$1,776,088	$1,814,827	$1,772,064
Profit before write-offs and taxes	608,047	561,921	541,586
Depreciation, amortization and depletion	380,575	372,543	364,925
Corporation income taxes	67,800	59,000	51,000
Net income	159,672	130,378	125,661
Net income per share	.39	.32	.31
Shareholders' equity	2,510,579	2,514,757	2,557,228
Shareholders' equity per share	6.13	6.14	6.25
Dividends	164,000	164,000	82,000
Dividends per share	.40	.40	.20
Expenditures on plant and equipment	77,803	81,930	44,253

per share calculations 1963 and prior years—410,000 shares

per share calculations 1964 —820,000 shares

per share calculations 1965 and 1966 —856,855 shares

per share calculations 1967 —965,497 shares

1961	1962	1963	1964	1965	1966	1967
$1,544,247	$1,827,981	$2,000,318	$3,785,218	$3,797,816	$4,448,471	$6,532,634
592,686	631,350	725,502	1,136,653	1,385,098	1,727,231	2,105,305
376,940	374,439	426,127	711,955	681,052	723,823	984,355
70,232	58,702	21,054	135,000	220,000	315,600	129,384
145,514	198,209	278,321	289,698	484,046	687,808	991,566
.35	.48	.68	.35	.56	.80	1.03
2,630,071	2,828,798	2,950,320	7,339,990	7,446,383	7,658,031	9,557,422
6.40	6.90	7.19	8.95	8.69	8.94	9.90
82,000	123,000	164,000	205,000	421,056	471,270	550,113
.20	.30	.40	.50	.50	.55	.60*
34,538	148,643	205,086	380,040	319,808	315,398	980,478

*Dividends per share calculated on the 916,855 shares issued at the time of payment.

TO THE SHAREHOLDERS

During 1967 your company experienced a significant expansion of its corporate and product resources.

In February, Industrial acquired from Simsil Mines, Inc., all assets related to its silica operations in Quebec. They consisted of the mineral deposit and primary process plant at St. Donat, and the secondary process plant in Lachine. This acquisition extended our own line of silica products and strengthened our competitive position.

On November 28th, a statutory amalgamation of Industrial Minerals of Canada Limited and Acton Limestone Quarries Limited was approved by shareholders of both companies, in accordance with provisions of the Corporations Act of Ontario. The amalgamated company, with the same name and capitalization as your company, came into being on November 29th. The facilities of the "Acton" company—the limestone deposit and the 800-tons-per-hour process plant at Acton, Ontario, as well as two distribution yards in the Metropolitan Toronto area—have been integrated into the newly amalgamated company as the Aggregates Division. As a result, we are now a major supplier of aggregates within a region whose growth is equalled by few areas of North America.

In a relatively short period of years your company has emerged from a single-plant, one-product operation to become a diversified producer and marketer of industrial minerals with still further growth opportunities. In 1963, our sales totalled $2,000,318. By the end of 1967, sales of nepheline syenite, silica and limestone aggregates amounted to $6,532,634, representing a growth of 225 per cent. Our physical resources now include four plants and three distribution yards in seven locations, and one of the industry's most modern research and development centres.

The changes in the issued capital during the year were as follows:

	SHARES ISSUED
31 December, 1966	856,855
Issued for the Simsil acquisition	60,000
Issued in connection with the amalgamation with Acton	48,642
31 December, 1967	965,497

PROFITS

	1967	1966
Consolidated net profit		
—dollars	$ 991,566	$ 687,808
—per share	$ 1.03	$ 0.80
—as a % of sales	15.2%	15.5%
Profit before write-offs and taxes	$2,105,305	$1,727,231
Write-offs	$ 984,355	$ 723,823

Production costs in all three divisions increased substantially. These increases were partially offset by price increases for the silica and aggregate product lines. The prices for nepheline syenite were not changed in 1967; however, adjustments have been made in 1968.

FINANCIAL

Cash recovery from operations	$2,018,209
Working capital 31 December, 1967	$1,248,965

	1967	1966
Accounts receivable	$ 1,740,214	$ 718,633
Total billing	$11,018,965	$6,765,003
Reported sales volume	$ 6,532,634	$4,448,471

Accounts receivable in 1967 were 15.8% of the total billing figure, up from 10.69% in 1966.

The difference between the total billing figure and the reported sales volume represents the cost of freight invoiced.

Listed with the liabilities is a bank loan of $1,302,000 incurred by the Aggregates Division prior to amalgamation.

DIVIDENDS

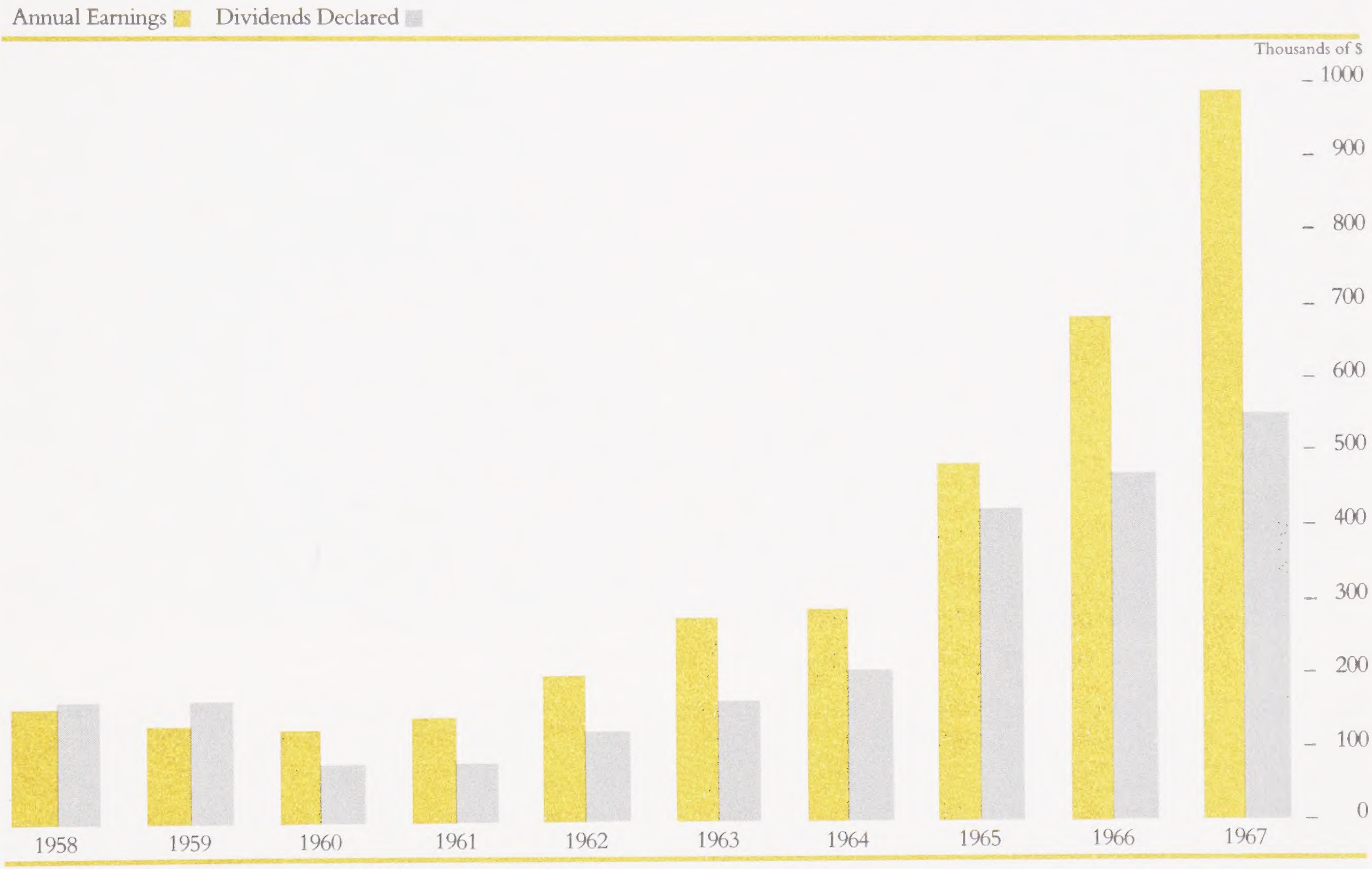
Total dividends paid since inception in 1954—$3,076,439

Dividend record 1967—$550,113 paid out. (60¢ per share on the 916,855 shares outstanding on dates of payment.)

RECORD DATE	DATE PAID	¢ PER SHARE
16 May	1 June	25
1 November	15 November	25+10
		50+10

TO THE SHAREHOLDERS

I EARNINGS—DIVIDENDS



SALES	1967	1966	% CHANGE
Sales volume	$6,532,634	$4,448,471	47%

The figure for 1966 does not include sales related to the Simsil or Aggregate operations, both of which were acquired in 1967.

Sales of nepheline syenite exhibited a satisfactory rate of growth, although unit per ton revenue declined slightly, reflecting the change in product mix. The profit margin on European sales, historically low, narrowed even further as production and shipping costs increased. The product distribution network to the paint and plastics markets was strengthened by the appointment in North America of several new distributors.

Silica sales showed a rather dramatic increase, primarily a result of the Simsil acquisition but due also to an increase in volume from St. Canut and higher per-ton revenues.

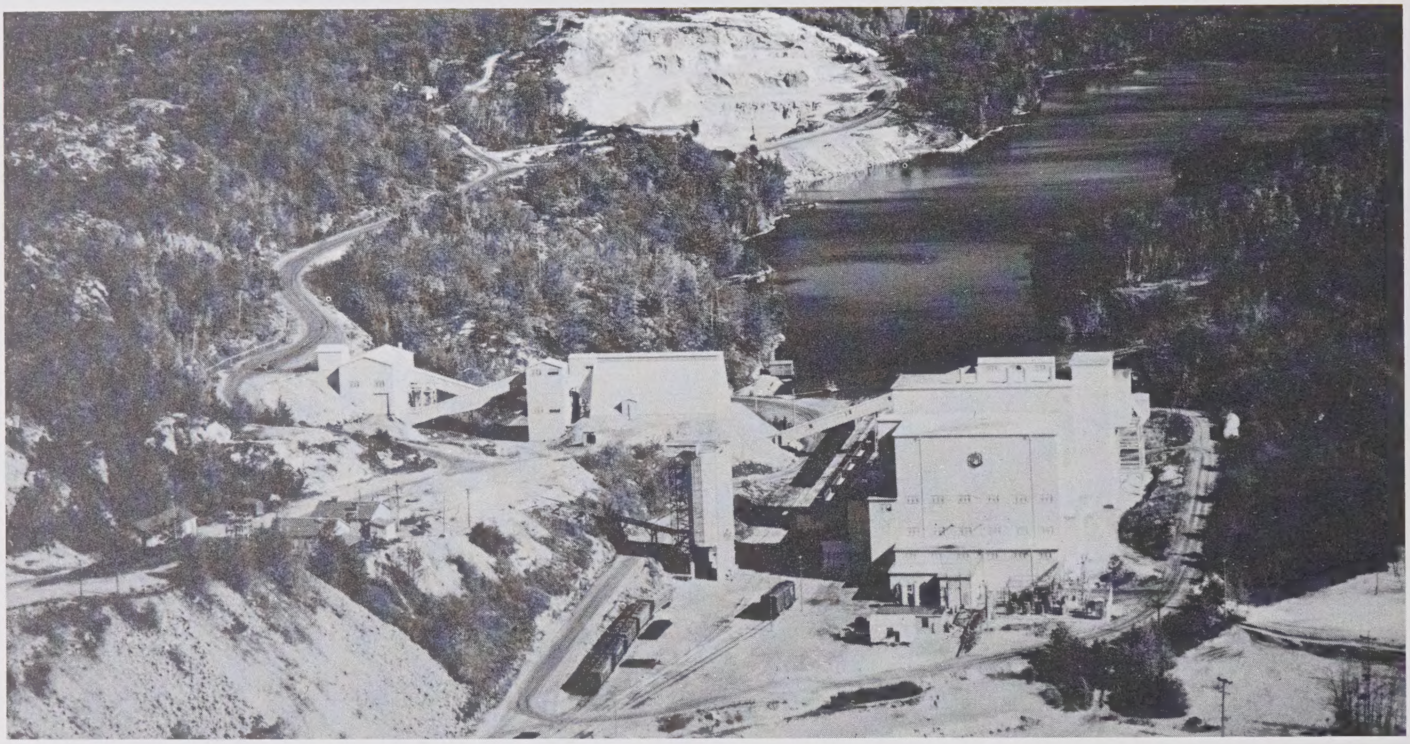
The per-ton revenue for aggregates sales showed encouraging improvement, and further price increases were introduced late in the year. The sales volume was surprisingly strong in view of the prolonged strikes that disrupted the construction industry.

We anticipate modest sales growth in 1968 in all three of our divisions.

PRODUCTION

A plant expansion of 200 tons per day in our nepheline syenite operations was undertaken at Nephton. Completion of this program was delayed until late in the third quarter, five months behind schedule, due partly to the difficulty experienced in

MINES AND PROCESSING PLANTS



Plant No. 1—Nepheline Syenite Mine and Processing Plant at Nephton, Ontario

Plant No. 3—Silica Mine and Processing Plant at St. Donat, Quebec.

obtaining skilled construction workers and partly to late deliveries of equipment.

By the year-end, closure of the Lachine operation had been effected and total integration of silica production facilities at St. Canut completed. This consolidation should lower production costs substantially in 1968.

The activity of the aggregates division, associated as it is with the construction industry, is seasonal in nature. Virtually the total volume of product, in excess of 1,000,000 tons per year, is moved between April and mid-December.

CAPITAL EXPENDITURES ON PLANT & EQUIPMENT	1967	FORECAST 1968
Nepheline Syenite Division -	$640,689	$354,800
Silica Division - - - - -	328,429	104,300
Aggregates Division - - -	11,360	180,000
Laboratory & Miscellaneous -	—	52,000
	$980,478	$691,100

The 1968 forecast of expenditures provides for facilities improvements and equipment replacement at the designated locations. There is no provision in these accounts for the major replacements of rolling stock required within the aggregates division. These requirements will be filled by leasing the appropriate equipment and where practical by employing contractors.

EMPLOYEES

The total number of employees at all locations as at 31 December, 1967, was 260.

Five labour contracts are in force with termination dates as follows:

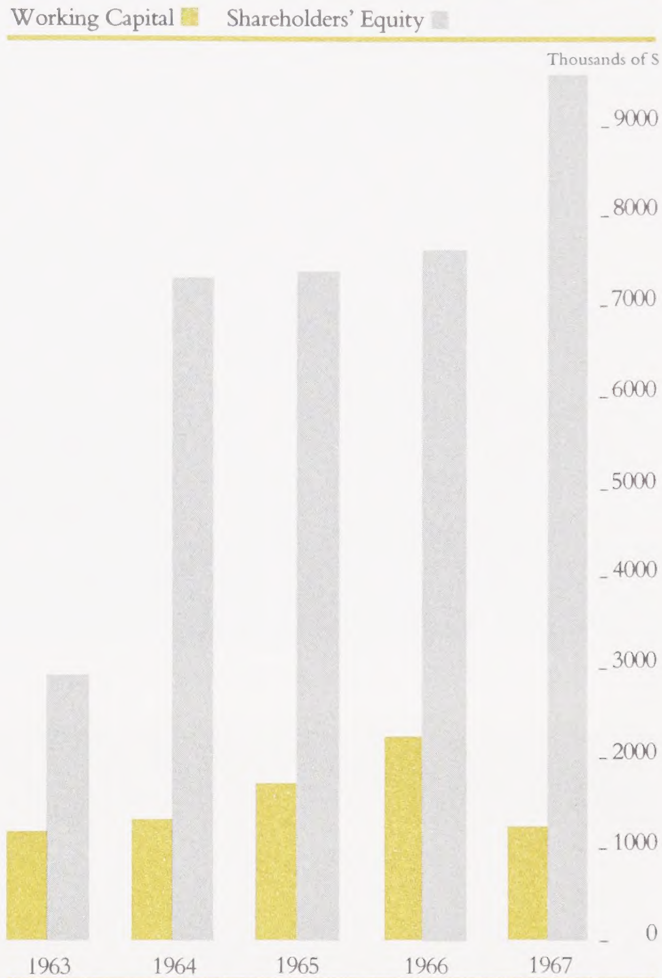
Nepheline Syenite Division
    Nephton, Ontario—11 October, 1968
Silica Division
    St. Canut, Quebec—12 January, 1969
    St. Donat, Quebec—14 July, 1970
Aggregates Division
    Acton, Ontario —31 October, 1968
Distribution Yard
    Whitby, Ontario —18 December, 1968.

RESEARCH AND DEVELOPMENT

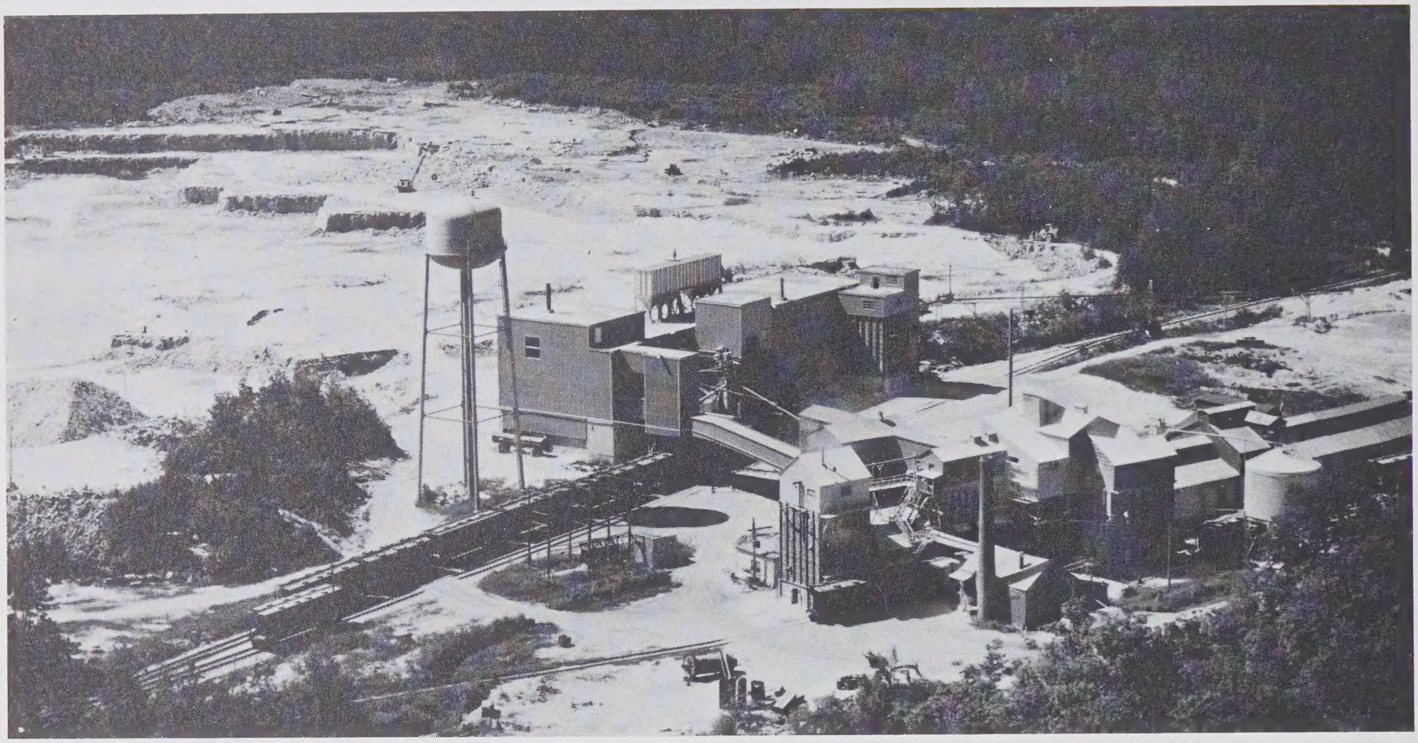
During the year the capabilities of our Technical Centre were strengthened in terms of both personnel and equipment. The scope of the research and development department was enlarged to include responsibility for the direction and operation of the quality control function at all producing locations. Active development programs in paint, ceramics, glass, analytical chemistry, and process metallurgy were maintained.

We plan to continue the expansion of the research and development department in its role of providing technical support to both the sales and production activities. The department has developed a comprehensive technical ability in several areas. We intend, in the near future, to offer these services on a commercial basis to other groups outside the company.

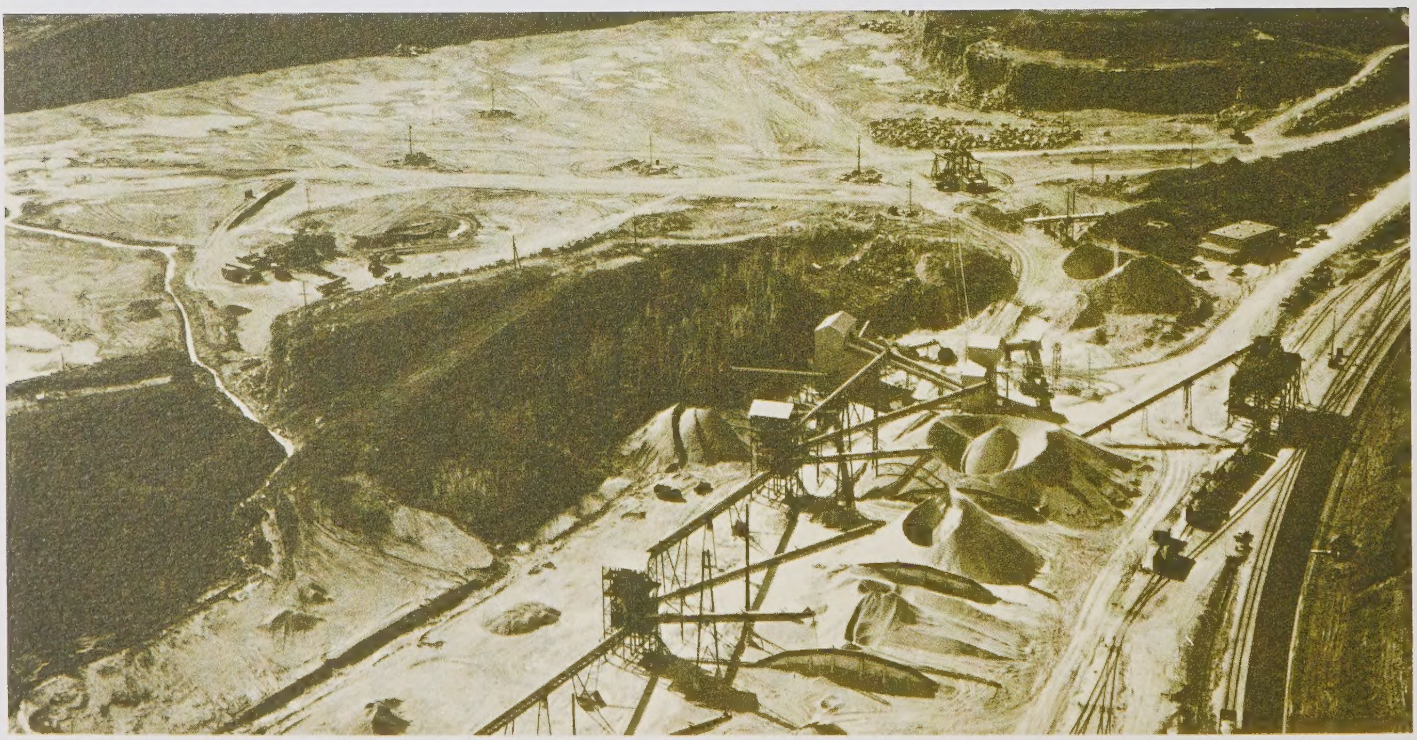
II SHAREHOLDERS' EQUITY
WORKING CAPITAL



MINES AND PROCESSING PLANTS



Plant No. 2—Silica Mine and Processing Plant at St. Canut, Quebec.

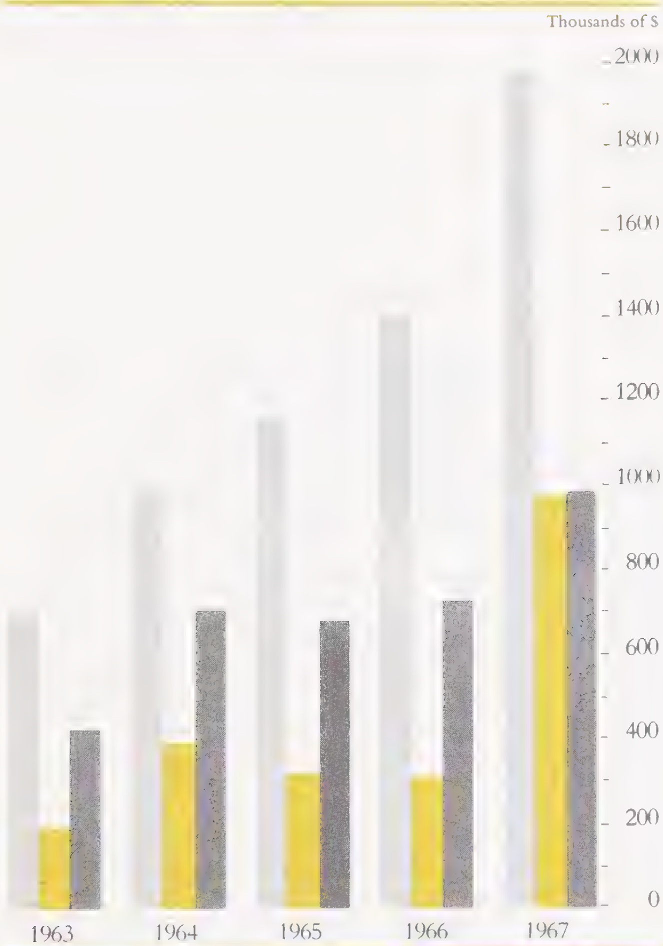


Plant No. 4—Aggregates Mine and Processing Plant at Acton, Ontario.

TO THE SHAREHOLDERS

III CASH FLOW—DEPRECIATION CAPITAL EXPENDITURES

Cash Flow Write-Offs
Capital Expenditures



[illegible]

The principal activity of this department related to the further examination of our silica property on Badgeley Island in Georgian Bay. We have established that the deposit is of a size and grade to warrant commercial development, and all the elements required to complete the feasibility study (with the exception of the rail rate structure) have been defined. In the opinion of management, it is not now a question of whether to develop, but solely one of selecting the appropriate time.

Expenditures on research and other corporate development programs amounted to $231,000.

GENERAL COMMENTS

We continue to work towards our major goals for the company: growth and diversification on a profitable basis in the areas of our specialized knowledge and skills.

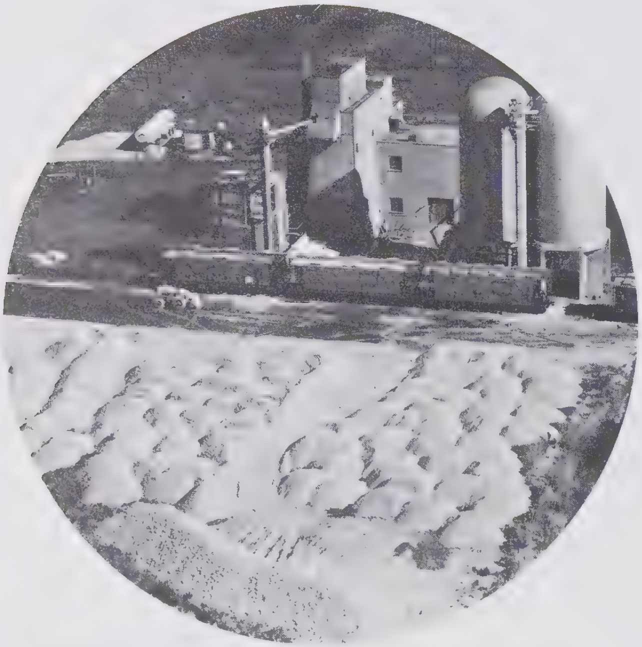
The co-operation and enthusiasm of our employees during the past year's busy program has contributed immeasurably to our overall results and we extend our appreciation. We likewise acknowledge the loyalty of our customers and distributors.

Respectfully submitted
H. J. FRASER

DISPOSITION OF 1967 INCOME

100.00%	Income from sales - - - - -	$6,532,634
	Used as follows:	
31.79%	Wages, salaries and employee benefits - - - -	$2,076,957
35.98%	Materials supplies and services - - - - - - -	$2,350,372
15.07%	Depreciation, depletion and amortization - - - - - - -	$984,355
8.42%	Dividends - - - - - - - -	$550,113
1.98%	Taxes - - - - - - - - -	$129,384
6.76%	Retained and used in the business - - - - - -	$441,453

DISTRIBUTION YARDS



Yard No. 1—Distribution yard at Whitby, Ontario.

Yard No. 3—Distribution yard at Pinecrest, Ontario.

Yard No. 2—Distribution yard at Scarborough, Ontario.

CONSOLIDATED STATEMENT OF OPERATIONS

for the year ended 31st December 1967 (with related * figures for 1966)

	1967	1966
Sales of all products	[illegible]	$4,448,471
Cost of products sold less transportation costs of $1,366,604 in 1967	[illegible]	2,309,268
Selling, general and administrative expenses	[illegible]	461,653
	[illegible]	2,770,921
Operating profit before providing for depletion, development expenditures and depreciation	[illegible]	1,677,550
Depletion of limestone deposits	[illegible]	
Development expenditures written off	[illegible]	74,800
Depreciation of plant and equipment	[illegible]	649,023
	[illegible]	723,823
Operating profit	[illegible]	953,727
Income from short term investments	[illegible]	49,681
	[illegible]	1,003,408
Provision for taxes on income (note 4)	[illegible]	315,600
Net profit for the year	[illegible]	$ 687,808

*The figures for 1966 do not include those of the Aggregates Division which, prior to amalgamation on 29th November 1967, was operated by Acton Limestone Quarries Limited.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Industrial Minerals of Canada Limited and its wholly-owned subsidiary company, American Nepheline Corporation, as at 31st December 1967 and the consolidated statements of operations and retained earnings for the year ended on that date.

Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of operations and retained earnings, when read in conjunction with the notes appended thereto, present fairly the financial position of the companies as at 31st December 1967 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination also included the accompanying statement of source and disposition of funds which, in our opinion, when considered in relation to the aforementioned financial statements, presents fairly the sources and dispositions of funds of the companies for the year ended 31st December 1967.

Peterborough, Canada
15th February 1968

McColl, Turner & Co.
Chartered Accountants

CONSOLIDATED BALANCE SHEET

as at 31st December 1967 (with related * figures for 1966)

ASSETS

	1967	1966
CURRENT		
Cash -	$ [illegible]	$ 209,684
Short term investments, at cost, approximately market value - - - - - - - - -	819,215	1,548,182
Accounts receivable for product and freight - - - - - - - - - - - - - - - - - -	1,740,214	718,633
Inventories of crude ore and finished products—valued at the lower of average cost or net realizable value -	215,356	172,478
Prepaid expenses and other current assets - - - - - - - - - - - - - - - - - -	66,614	73,107
	2,869,759	2,722,084
FIXED		
Buildings, plant and equipment, at cost - - - - - - - - - - - - - - - - - -	13,791,085	8,194,335
less		
Accumulated depreciation -	7,568,251	5,463,388
	6,222,834	2,730,947
Mining properties and land, at cost, less depletion - - - - - - - - - - - - - -	953,365	127,620
Excess of the cost over the net book value of the underlying assets acquired - - - - -	—	1,574,482
	7,176,199	4,433,049
OTHER		
Mine and mill supplies, at cost -	319,059	239,777
Deferred development expenditures, less amounts written off - - - - - - - - - -	154,640	125,644
Other mining properties and expenditures thereon - - - - - - - - - - - - - - -	590,934	580,571
Special corporation tax, refundable - - - - - - - - - - - - - - - - - - -	66,299	45,267
Loan receivable, secured -	19,461	—
	1,150,393	991,259
	$11,196,351	$8,146,392

*The figures for 1966 do not include those of the Aggregates Division which, prior to amalgamation on 29th November 1967, was operated by Acton Limestone Quarries Limited.

LIABILITIES AND CAPITAL

CURRENT	1967	1966
Bank loan	$ [illegible]	$ —
Accounts payable and accrued charges	[illegible]	140,181
Estimated income taxes payable	[illegible]	329,480
Principal payments on mortgage loans due within one year	[illegible]	4,409
	[illegible]	474,070

LONG TERM		
Mortgage loans, less amounts due within one year	[illegible]	14,291

SHAREHOLDERS' EQUITY (note 3)		
Capital		
Authorized—1,000,000 shares with no par value		
Issued and fully paid—965,497 shares (1966—856,855 shares)	8,775,324	6,323,560
Contributed surplus	374,964	374,964
Retained earnings	807,134	959,507
	9,957,422	7,658,031

Approved on behalf of the Board:

H. J. FRASER *Director*
J. J. MATHER *Director*

	$11,196,351	$8,146,392

CONSOLIDATED STATEMENTS

for the year ended 31st December 1967 (with related * figures for 1966)

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	1967	1966
Retained earnings at 1st January	$ 959,507	$ 747,859
ADD		
Net profit for the year	991,566	687,808
Provision for taxes in prior years no longer required	42,288	—
	1,993,361	1,435,667
DEDUCT		
Dividends paid	550,113	471,270
Loss on disposal of equipment	19,700	4,890
Deficit of Acton Limestone Quarries Limited as at 29th November 1967 after eliminating the portion (53.91%) applicable to the shares cancelled upon amalgamation with Industrial Minerals of Canada Limited and after reflecting the profit of the Aggregates Division for that period included above	906,756	
Appropriation of earnings to write off the remaining excess of cost over the net book value of the underlying assets acquired through amalgamations	109,658	
	1,586,227	476,160
Retained earnings at 31st December	$ 407,134	$ 959,507

STATEMENT OF CONSOLIDATED SOURCE AND DISPOSITION OF FUNDS

		1967		1966
SOURCE OF FUNDS				
Net profit for the year		$ 991,566		$ 687,808
Charges against operations for depletion, depreciation and development expenditures which did not in themselves require a cash outlay during the year		[illegible]		723,823
Funds derived from operations		1,975,921		1,411,631
Funds provided in prior years for income taxes no longer required		42,288		
		2,018,209		1,411,631
DISPOSITION OF FUNDS				
Acquisition of land, plant and equipment from Simsil Mines Incorporated, less value attributed to 60,000 shares issued in partial consideration therefor		297,589		
Expenditures on other land, plant, equipment and mine development		991,788		349,868
Expenditures on other mining properties		10,363		8,289
Dividends paid to shareholders		550,113		471,270
Provision for principal payments on mortgage loans		21,340		4,409
Expenditures on other assets		60,199		2,258
Special corporation refundable tax		19,032		45,267
		1,950,424		881,361
Resulting in an increase in working capital of		67,785		530,270
Working capital at beginning of year:				
Industrial Minerals of Canada Limited	$2,248,014		$1,717,744	
Acton Limestone Quarries Limited	1,066,834(*dr*)	1,181,180	—	1,717,744
Working capital at end of year		$1,248,965		$2,248,014

(*dr*) denotes a negative figure

*The figures for 1966 do not include those of the Aggregates Division which, prior to amalgamation on 29th November 1967, was operated by Acton Limestone Quarries Limited.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The consolidated financial statements for 1967 reflect the financial position and the results of the operations of Industrial Minerals of Canada Limited and its wholly-owned subsidiary company, American Nepheline Corporation. Letters patent of amalgamation were issued on 29th November 1967 to amalgamate Industrial Minerals of Canada Limited and Acton Limestone Quarries Limited. The financial statements for 1967 have been prepared as if the two companies had been amalgamated, in fact, throughout 1967.

2. Assets and liabilities in currencies other than Canadian dollars have been converted into Canadian dollars at current quoted rates of exchange at 31st December 1967 except fixed assets and the related accumulated depreciation which have been converted at the rates prevailing when the expenditures on the fixed assets were made. Revenues and expenses in currencies other than Canadian dollars have been converted into Canadian dollars at the average quoted rates of exchange except that provisions for depreciation have been converted at the rates of exchange prevailing when the expenditures on the related fixed assets were made.

3. The changes in 1967 in the capital of the company, including those arising from the amalgamation of Acton Limestone Quarries Limited and Industrial Minerals of Canada Limited on 29th November 1967, are set out below.

	Shares	*Capital*
As shown on the financial statements of Industrial Minerals of Canada Limited as at 31st December 1966 - - - - -	856,855	$6,323,560
Shares issued on 23rd January 1967 as partial consideration for assets acquired from Simsil Mines Incorporated (No personal liability) - - - - -	60,000	984,970
Shares issued on 29th November 1967 to acquire 386,000 shares of Acton Limestone Quarries Limited - - -	3,860	57,900
Shares issued on 29th November 1967 to acquire bonds of Acton Limestone Quarries Limited with a face value of $2,118,000 - - - - - - - -	41,482	622,230
Shares issued to convert 330,000 shares of Acton Limestone Quarries Limited into shares of Industrial Minerals of Canada Limited - - - - - - - - - - -	3,300	786,664[1]
Issued and outstanding as at 31st December 1967 - - - - - -	965,497	$8,775,324

	Shares	*Capital*
[1]Capital of Acton Limestone Quarries Limited as at 29th November 1967 -	716,000	$1,706,800
less		
Shares cancelled upon amalgamation 53.91% - - - - - - - - - - - -	386,000	920,136
Shares converted as above - - - - -	330,000	$ 786,664

4. In determining the amount of income subject to taxes based upon income for the year 1967 Industrial Minerals of Canada Limited, in the periods both before and after the amalgamation, will claim amounts in respect of depreciable assets and development expenses that exceed the amounts written in the accounts during those periods. The result is a reduction in income taxes of $200,000 and an increase in net profit of the same amount for the year 1967.
In 1967 and prior to amalgamation, Acton Limestone Quarries Limited wrote in the accounts amounts in respect of depreciable assets and development expenditures that exceeded the amounts claimed in determining income subject to tax.
As a result, the position of the amalgamated company to 31st December 1967 is that the net amounts claimed by the amalgamated company and the predecessor companies under the provisions of the income tax acts in respect of depreciable assets and development expenditures have not exceeded the amounts written off in the accounts.

5. The financial statements reflect a grant from Department of Industry under The Research and Development Incentives Grant Act of $19,366 with respect to research expenditures in 1966. Of the total grant, $15,495 applies to research expenses and has been included in the calculation of net income from operations for the period under review. The remainder—$3,870—represents a grant with respect to equipment and has been deducted from cost of the equipment. Depreciation has been claimed on the net investment in equipment after deduction of this grant.
There is no significant effect on income taxes arising from claiming capital cost allowances on the gross expenditures.

6. Remuneration paid to directors and senior officers of the company in 1967 amounted to $115,637 and, in 1966, $107,296.

PRODUCTION FACILITIES

NEPHELINE SYENITE DIVISION
D. L. Murdy—Resident Manager
D. Cook —Assistant Resident Manager
Plant No. 1—Nephton, Ontario

SILICA DIVISION
R. Lavertu —Resident Manager
P. Gauvreau—Production Superintendent
Plant No. 2—St. Canut, Quebec
Plant No. 3—St. Donat, Quebec

AGGREGATES DIVISION
J. Kerr —Resident Manager
G. Reynolds—Production Superintendent
Plant No. 4—Acton, Ontario

DISTRIBUTION YARDS

No. 1—Whitby, Ontario
No. 2—Scarborough, Ontario
No. 3—Pinecrest, Ontario

TECHNICAL CENTRE

H. Maidment—Chief Engineer
J. Kriens —Chief Chemist
1933 Leslie Street, Don Mills, Ontario

SALES OFFICES

NEPHELINE SYENITE AND SILICA DIVISIONS
7 King Street E., Toronto
W. Midgette—Regional Sales Manager
R. Grindley —Regional Sales Manager

AMERICAN NEPHELINE CORPORATION
11 West Cooke Road, Columbus, Ohio 43214

AGGREGATES DIVISION
P.O. Box 303, Scarborough, Ontario
A. Jones—Sales Manager

SALES REPRESENTATIVES IN:
Germany, France, Holland, Belgium, United Kingdom,
Italy, Australia and Greece.

The following table illustrates the diversified uses for your company's products.

	NEPHELINE SYENITE	SILICA	AGGREGATES
Colour TV tubes	●		
Fibre glass auto bodies		●	
Fibre glass boats		●	
Fibre glass fishing rods		●	
Fibre glass insulation	●	●	
Automobile glass	●	●	
Window glass for buildings	●	●	
Glass bottles	●	●	
Tumblers	●		
Tableware	●		
Lamp bulbs	●		
Glass insulation block	●		
Bathroom fixtures	●		
Vitreous enamels for appliances	●	●	
Fine china	●		
Hotel china	●		
Electrical porcelain	●		
Ceramic artware	●	●	
Paint	●	●	
Vinyl furniture upholstery	●		
Automobile upholstery	●		
Foam rubber cushions	●		
Foam rubber carpet backing	●		
Vinyl curtains	●		
Refractory cements	●	●	
Floor and wall tile	●		
Autoclave concrete products		●	●
Silicon carbide abrasives		●	
Asbestos-cement pipe		●	
Asbestos-cement wallboard		●	
Scouring powders		●	
Road and driveway paving		●	●
Asphalt products			●
Concrete products		●	●
Building cleaner media		●	
Poultry grits		●	
Foundry sands		●	
Filtering media		●	
Exposed aggregate building facing	●	●	

PRINTED IN CANADA

Kippen & Company Inc.
ESTABLISHED 1922
MEMBERS
THE INVESTMENT DEALERS ASSOCIATION OF CANADA
MONTREAL STOCK EXCHANGE CANADIAN STOCK EXCHANGE
MIDWEST STOCK EXCHANGE
CANADIAN IMPERIAL BANK OF COMMERCE BUILDING
1155 DORCHESTER BOULEVARD WEST
MONTREAL 2. CANADA
MONTREAL: 866-5761
TORONTO: 364-2127

INVESTMENT RESEARCH AND MARKET PERSPECTIVES

AR28

October 18, 1968

INDUSTRIAL MINERALS OF CANADA

Price	$ 17½	1967 Earnings per Share	$ 1.03
1968 Range	$ 18½ - 11½	*1968 Estimated Earnings	$ 1.25-1.30
Indicated Dividend	$ 0.75	Price/1968 Est. Earnings	13.5x
Yield	4.3%		

* Adjusted for potential dilution arising from planned acquisition of Q.M.I. Minerals

CAPITALIZATION

As at Aug. 31, 1968

Long-term Debt	$ 210,861
Common Stock (965,497 shares)	8,775,324
Contributed Surplus	374,963
Retained Earnings	1,022,610
	$ 10,383,758

SUMMARY & CONCLUSION

We recommend the purchase of this stock for growth-oriented accounts where limited marketability is not an important consideration. In today's stock market, where all too often issues trade at price levels which bear little relation to a prudent estimate of future growth, the excellent earnings visibility of Industrial Minerals provides added appeal.

This company, which is 68% controlled by Falconbridge Nickel Mines, has compiled an outstanding record of growth and profitability. In the three years ended December 31, 1967, sales and net profit increased at an annual compound rate of 20% and 44% respectively. Current expansion plans indicate continuing earnings improvement through to at least 1970 of around 25% per annum. Earnings this year, adjusted for the imminent acquisition of Q.M.I. Minerals should be around $1.25 - 1.30 per share against $1.03 in 1967. For 1969 we tentatively estimate $1.55 - 1.60 followed by a major gain to around $2.00 in 1970. The strong performance of the past three years was due to acquisitions of companies in the same line of business, but the anticipated improvement will arise from the normal growth in demand for the company's products plus the bringing into production late next year of a major new silica mine in Ontario. This operation should enable I M L to make strong inroads into the Ontario silica market which now depends upon imports for the major part of its requirements. Beyond all this is the fact that the stated objective of management is growth and diversification on a profitable basis, both within the areas of specialized knowledge and outside of the industry.

BASIC POSITION

Industrial Minerals (I M L) has a virtual monopoly in the production of premium grade silica sand in eastern Canada; is a major factor in world production of nepheline syenite; and has an important position in the supply of limestone aggregates for the construction industry in metropolitan Toronto and surrounding areas.

The nepheline syenite division, which has been in operation for some 33 years, until 1965 was the company's sole source of income. The development of the mine in Nephton, Ontario was the world's first commercial exploitation of that mineral and most of the major uses and markets in the glass, ceramic, paint and plastic industries were developed by I M L.

Plans for diversification into silica, which is used as a companion product with nepheline syenite in the glass and ceramic industries, (as well as in the construction and chemical industries), culminated in September, 1964, with the purchase for $3.8 million of a 92% interest in Canada Silica Corp. Earlier, I M L had concluded that mining operations should be undertaken on its own silica property in the Montreal region. However, the opportunity to acquire Canada Silica arose and, since the cost did not differ substantially from the estimated capital required to bring the new property to production, the company preferred the prospect of an immediate return upon invested capital. Main plants and deposits are at St. Donat and St. Canut, some 40 miles northwest of Montreal.

In July of this year, I M L announced a $3 million development program involving (1) the purchase of Union Carbide's silica property and plant in the Georgian Bay area of Ontario; (2) the development of a neighbouring, wholly-owned high-grade silica property and, (3) the construction of the first stage of a processing plant at Midland, Ontario.

I M L also owns and operates a construction aggregate business acquired in 1967 by amalgamation with Acton Limestone Quarries. The deposit is located adjacent to mainline C.N.R. tracks, 34 miles northwest of metropolitan Toronto. Distribution yards are maintained at Scarborough, Pinecrest and Whitby.

RECENT DEVELOPMENTS

A special meeting of shareholders is to be held on October 29 to consider a merger with Q.M.I. Minerals under the continuing name of Indusmin Limited. It is proposed that each 5 Q.M.I. shares will be converted into 1 share of Indusmin, while present shareholders of I M L will receive identical share holdings in the new company.

Q.M.I., which is 68% controlled by Falconbridge, has conducted no active mining operations in recent years. However, current assets plus marketable investments of approximately $3 million will help ease the near-term strain on Indusmin's working capital created by the Georgian Bay project. Equally important, Q.M.I. has some $3 million in capital cost allowances which will be available to Indusmin as write-offs for tax purposes against future profits.

Note

Unutilized capital cost allowances on the Acton properties plus those that will accrue from the proposed amalgamation will result in a continuing low tax rate for several years beyond 1970. The company makes no provision for deferred income taxes.

CURRENT OPERATIONS

In 1967, I M L earned $2.1 million or $1.03 per share up from $1.7 million ($0.80) the previous year. For the six months ended July 30, 1968, earnings were $0.50 per share of which all but 2¢ came in the second quarter. The normally slow first period was this year compounded by a two month strike in the U.S. glass industry and a corresponding drop in nepheline syenite sales. For the full year, reflecting both greater than normal growth in the glass industry because of the trend towards non-returnable soft drink bottles and a 10% increase in nepheline syenite prices in January, we anticipate earnings of $1.50 - 1.55 per share -- or $1.25 - 1.30 per share of Indusmin.

We assume that the merger proposal will be ratified since it has been reported that some Q.M.I. shareholders at recent annual meetings have indicated a preference for similar action.

INDUSMIN LIMITED

Capitalization

(pro forma as at August 31, 1968)

Long Term Debt	$ 210,861
Common Stock (1,167,901 shares)*	11,695,879
Retained Earnings	69,893
Total	$ 11,976,633

* Falconbridge Nickel Mines will own 805,477, or 69%

OUTLOOK

In the past 15 years, production of nepheline syenite in Canada has grown at an annual compounded rate of 11.5%. Over the next year or so, aided by the factor of non-returnable bottles, it is anticipated that the growth rate should approximate 10%, and thereafter closer to 5% as rising freight rates weaken Canada's competitive position outside North America. Similarly with silica, a near-term growth rate of 10% is foreseen, declining to around 5%.

In recent years the trend to higher freight rates has been lessening the company's limited ability to compete effectively in the Ontario silica market with sand imported chiefly from the northeastern United States. Now, the new silica plant and the favourable decision by the railroad regarding the cost of transportation from Midland will radically change the position of Indusmin in the industry. The significance of this project and the optimism of management is illustrated by the fact that the eventual annual capacity at Midland will be 400,000 tons per year -- virtually equal to the company's current output.

Earnings in 1969, reflecting some contribution from direct shipments of silica from Union Carbide's former facilities could be around $1.55 - 1.60 per share. For 1970, shipments from the first stage of the Midland project, (200,000 tons per year) should raise earnings to around $2.00. While these projections cannot be definitive at this stage of development, they do provide indication of the earnings potential to 1970 and beyond - without possible further acquisitions.

J.B.

CURRENTLY RECOMMENDED STOCKS

Acklands

Brenda Mines

Cunningham Drug Stores

Electronic Associates

Home Oil

Industrial Minerals of Canada

Kaps Transport

Keeprite

Kerr Addison

Noranda Mines

Preston Mines

Reichhold Chemicals of Canada Ltd.

Steel Company of Canada

Westeel-Rosco

Western Decalta Petroleum

Information on the above stocks is available upon request.

The company was host to U.S. and Canadian distributors during June. The three-day program included a visit to the Technical and Research Laboratory in Toronto, as well as a tour of the mining and processing operations at the company's Nephton, Ontario plant. A series of technical seminars were included, highlighting recent test results pointing up the benefits of using Minex products in the paint and plastics industries.

The diamond-drill core taken from the Ontario silica property, with few exceptions, was of excellent ore quality. Reserves of 10 million tons have been outlined to date. Silica is a low priced commodity, consequently our transportation costs, compared to those of our competitors, will be an important factor in determining the economic potential. No decision has yet been reached with respect to putting the property into production. The target date for completion of the feasibility study is 31 October, 1967.
Aug. 15, 1967

The enclosed plastic sample was produced with Minex 7—, one of our products, featuring a brighter colour at reduced cost to the manufacturer.

Industrial Minerals of Canada Limited
a dependable source of mineral products for industry
7 King Street East, Toronto, Canada. Telephone 362-7292

INDUSMIN LTD

File

Industrial Minerals of Canada Limited

Interim Report for six months
ended June 30, 1967

quarterly highlights

Operating costs, in spite of stringent controls, continue to rise. Whereas the sales volume for the first six months of 1967 rose by $322,429 (14.8%) in comparison with the same period in 1966, the profit before write-offs and taxes declined by $59,226 (6.7%).

It must be noted, however, that exploration expenditures of $39,000 were expensed in 1967. The corresponding figure for 1966 was $12,500. These expenditures will increase appreciably in the third quarter during which period the first phase of the diamond drilling program on the Ontario silica property will be completed.

The performance in the second quarter of 1967 was substantially better than in the first quarter. The profit before write-offs and taxes rose by $103,172 to $463,213.

Industrial Minerals of Canada Limited
Interim Statement
For six months ended June 30, 1967 (with comparative figures for 1966)

	1967	1966
Operations		
Sales	$2,488,495	$2,166,066
Profit before taxes and write-offs	823,254	882,480
Depreciation and development written off	305,243	345,751
Estimated taxes based on income	100,974	183,941
Net profit for period	417,037	352,788
Net profit per share	$ .45	$ .41
Shares outstanding at June 30	*916,855*	*856,855*
Source and disposition of funds		
SOURCE		
Net profit for period	$ 417,037	$ 352,788
Charges against operations which did not require a cash outlay	305,243	345,751
	$ 722,280	$ 698,539
DISPOSITION		
Dividends	$ 229,214	$ 171,371
Expenditures on plant, equipment & mine development	567,034	267,466
Acquisition of Simsil assets— $1,284,970 (less value of 60,000 shares capital stock issued in part payment $984,970) net	300,000	—
Increase in other non-current assets	105,312	1,033
Adjustment of prior years taxes written off to earned surplus	(24,575)	—
	$1,176,985	$ 439,870
Resulting in an increase (decrease) in working capital	$ (454,705)	$ 258,669
Working capital at beginning of period	2,219,163	1,690,127
Working capital at end of period	$1,764,458	$1,948,796

AR28

This month Indusmin announced an industry first . . . the introduction of a new, improved series of Syenite products for glass manufacturers.

The new products are called Syenite 300 Series and were achieved through a major process circuit revision and expenditure at the company's Nephton, Ontario, plant.

Syenite 300 Series products provide important benefits to the glass industry . . . dust-free handling . . . more efficient batch melting.

indusmin

industrial minerals of canada limited

a dependable source of mineral products for industry

7 King Street East, Toronto, Canada. Telephone 362-7292

File

INDUSMIN LTD

industrial minerals of canada limited

Interim Report for six months ended June 30, 1968

quarterly highlights

HALF-YEARLY REPORT

	Sales	Net Profit
1st Quarter	$1,365,433	$ 17,511
2nd Quarter	1,967,998	466,453
Total	$3,333,431	$483,964

The outlook for the 3rd quarter is favourable. The sales dollar volume will equal or exceed that of the 2nd quarter.

On June 20th the Board of Directors gave its approval for the development of the Georgian Bay silica property. A copy of the news release issued by the Mayor of Midland on July 5th was mailed to all shareholders. The several phases of the development were described in some detail therein.

It is estimated that the relevant capital outlays will occur as follows:

1968	—	$ 300,000
1969	—	$1,750,000
1970	—	$ 750,000
Total	—	$2,800,000

This projection provides for the first phase only (200,000 tons per year) of the 400,000-ton facility planned for Midland.

It is anticipated that this program for the most part can be financed from corporate resources.

---

industrial minerals of canada limited

Interim Statement

For six months ended June 30, 1968 (with comparative figures for 1967)

Operations	1968	1967
Sales	$3,333,431	$2,945,544
Profit before taxes and write-offs	1,022,125	890,083
Depreciation depletion and development written off	526,861	493,785
Estimated taxes based on income	11,300	100,974
Net profit for the period	483,964	295,324

Source and Disposition of Funds

	1968	1967
SOURCE:		
Net profit for the period	483,964	295,324
Charges against operations which did not require a cash outlay	526,861	493,785
	$1,010,825	$ 789,109
DISPOSITION:		
Dividends	$ 241,374	$ 229,214
Expenditures for plant and equipment and mine development	379,264	569,743
Acquisition of Simsil assets— $1,284,970 (less value of 60,000 shares of capital stock issued in part payment $984,970) net	—	300,000
Increase in other non-current assets	22,889	107,143
Principal payments on long term debt	—	152,406
Adjustment of prior years' taxes written off to earned surplus	—	(24,575)
	$ 643,527	$1,333,931
Resulting in an increase (decrease) in working capital of	$ 367,298	$ (544,822)
Working capital at beginning of period	1,248,965	1,181,180
Working capital at end of period	$1,616,263	$ 636,358

Note: The 1967 figures include Acton Limestone Quarries Limited.